

Internal audit summary report for Audit and Governance Committee

November 2010

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**OXFORD
CITY
COUNCIL**

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1. Plan Outturn

2010/11 Audit Plan

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in March 2010. In September 2010, we reported that a number of changes had been made to the audit plan to reflect the changing priorities of the Council and the assurance required following a number of new system implementations. There have been no further changes to the plan since September 2010 which is summarised below:

Review	Original Days	Amendments	Revised Days
Agreed Plan	253	-	-
Performance Management (including data quality)	50	(25)	25
Review of final accounts	0	10	10
Post Implementation Review of PARIS and ITrent	0	10	10
IT process controls for PARIS and ITrent	0	10	10
Growth Funding Review	0	2	2
Revised Plan	253	7	260

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed **137 days out of a total planned 260 days (53%)**.

2. Reporting and Activity Progress

Final reports issued

Since the last Audit and Governance Committee in September 2010, we have issued one further final report to the Council, as detailed below:

Review of Cashiers – We reviewed the cash collection function to ensure that an adequate level of control was in place over the receipt, banking and allocation of income received. We provided a MODERATE assurance opinion on this function, highlighting 6 medium risk and 3 low risk issues, focusing mainly on the design of controls (particularly with respect to the safeguarding of cash and review of the reconciliation process between cash receipting systems and the general ledger).

Fieldwork and draft reports

Draft reports have been issued and/or fieldwork has commenced in the following areas:

- Creditors;
- Payroll;
- Council Tax and National Non-Domestic Rates;
- Treasury Management;
- Car Parking;
- Housing Rents;
- Housing Benefits;
- Housing Services;
- City Works Trade Waste;
- Performance Management and Data Quality; and
- PARIS and I Trent Post Implementation Review.

3. Summary of Key Risks

Overview

Our final reports include recommendations made in line with our risk ratings summarised in Appendix Two.

Further information is provided in the individual reports which can be produced in full if required.

At the time of this report, we have identified no issues that should be considered as significant control weaknesses.

4. Performance Indicators

A set of performance indicators have been agreed with officers to monitor performance of our audit contract for 2010/11. These have been detailed below for reference. Progress against performance indicators will be reported on a 6 monthly basis and therefore will be brought to this meeting in November and then in June to reflect performance to year end:

Objective	Performance Indicators PwC	Actual Performance to 10 th November 2010	Performance Indicators OCC	Actual Performance to 10 th November 2010
Delivering the internal audit service in an efficient manner	Delivery of programme of audits against the set audit plan.	53% of days delivered.		
	Scoping meeting held with project sponsors on all reviews.	100% of sponsors met.		
	Terms of reference for audits submitted at least 2 weeks prior to the start of fieldwork.	12.6 days	Terms of Reference to be agreed (by email or hard copy) within 1 week of receipt.	5.7 days
	Draft reports issued within 10 working days after completion of the audit.	18.4 days	Management responses to be provided within 10 working days of receipt of draft report.	9.0 days
	Final reports issued within 5 days of receipt of final management responses.	14.0 days		
Are our services addressing the issues of relevance to the Council?	Individual audit survey issued for every completed review.	2 out of 3 issued.	Audit survey completed by audit sponsor for each review.	1 out of 2 returned.
	Feedback from individual audit surveys – aims to achieve an average of 3 (Good) for overall performance.	Information not available		
	Reliance on financial control work by external audit.	Full reliance		
Our work has impact	All issues noted from prior year should be followed-up in year. All high/critical risk issues to be followed up within 6 weeks of issuing final report. Progress is to be reported to those charged with governance.	Follow Up completed and reported.	Number of recommendations implemented by management.	

	Arrangement of 2 training sessions in year to address training needs of members/officers.	One session delivered to date.	All critical issues to be addressed within 6 weeks.	N/a – no critical issues identified.
We communicate with you	Attendance and presentation of progress report to all Audit Committee meetings.	Attendance at all meetings to date.	Bills to be paid in line with prompt payment policy (30 days) once agreed	1 of 2 bills paid in line with policy.
	Quarterly meetings with contract manager.	Monthly meetings held		

Appendix One – Plan versus Actual

Our schedule of work has been based upon the revised audit plan that has been presented to you in this meeting.

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
General Ledger	10	0	To be commenced
Debtors	10	4	Fieldwork commenced
Creditors	10	7	Fieldwork concluded
Payroll	10	7	Fieldwork concluded
Budgetary Control	5	0	To be commenced
Collection Fund	10	7	Fieldwork concluded
Cashiers	5	5	Final report issued
Treasury Management	5	4	Draft report issued
Housing Benefits	5	3	Fieldwork concluded
Fixed Assets	10	0	To be commenced
VAT	5	1	Scoping commenced
Car Parking	5	4	Draft report issued
Housing Rents	10	9	Draft report issued
Risk Management	5	0	To be commenced
Governance	3	0	To be commenced
Final Accounts Review	10	10	Final report issued

Planned activity	Planned days	Actual days	Status
2. Operational system reviews			
– risk based assurance			
Partnership working	5	0	To be commenced
ICT Audits	20	2	Scoping commenced
Housing Services	10	5	Fieldwork commenced
Sports Development Funding	5	5	Final opinion issued
City Works Fleetplan	5	0	To be commenced
City Works Trade Waste	5	4	Draft report issued
Post Implementation Review	10	9	Draft report issued
IT Process Controls	10	2	Scoping commenced
Growth Funding Review	2	2	Final opinion issued

Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
Programme and Project Management	5	0	To be commenced
Performance Management	25	22	Fieldwork concluded

Planned activity	Planned days	Actual days	Status
4. Other			
General follow up	10	5	Ongoing
Audit Management	30	20	Ongoing
Total	260	137	

Appendix Two – Assessment Criteria

Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
<p>●●</p> <p>Critical</p>	<p>Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the authority's objectives in relation to:</p> <ul style="list-style-type: none"> • the efficient and effective use of resources; • the safeguarding of assets; • the preparation of reliable financial and operational information; or • compliance with laws and regulations.
<p>●</p> <p>High</p>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.</p>
<p>●</p> <p>Medium</p>	<p>Control weakness that:</p> <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; or • has exposed the system, function or process to a key risk. However the likelihood of this risk occurring is low.
<p>●</p> <p>Low</p>	<p>Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.</p>

Overall opinion rating:

Level of assurance	Description
High	No control weaknesses were identified; or Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Moderate	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
No	There are weaknesses in the design and/or operation of controls which, in aggregate, could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

Appendix Three – Heat Map

Oxford City Council – Heat Map November 2010

Key Financial Systems

	Days as per plan	Separation of Duties	Authorisation	Interfaces & Reconciliations	Management Info	Policies & Procedures	Prior year assurance	Overall Assurance
General Ledger (Agresso)	5	Green	Red	Red	Orange	Orange	Red	↔
Income and Debtors	10	Red	Red	Orange	Orange	Red	Red	↔
Purchases and Payables	5	Orange	Red	Green	Orange	Green	Orange	↑
Payroll	10	Green	Orange	Orange	Red	Orange	Orange	↔
Collection Fund	10	Green	Orange	Green	Orange	Red	Orange	↔
Housing Benefits	10	Green	Green	Orange	Green	Green	Green	↔
Treasury Management	5	Green	Orange	Orange	Red	Red	Orange	↓
Fixed Assets	10	Orange	Orange	Red	Orange	Red	Orange	↑
Housing Rents	10	Green	Green	Orange	Green	Green	Green	↔

Key Income and Expenditure Streams

	Days as per plan	Separation of Duties	Authorisation	Interfaces & Reconciliations	Management Info	Policies & Procedures	Prior year assurance	Overall Assurance
Collection Fund	10	See Key Financial Systems						
Housing Benefits	10	See Key Financial Systems						
Housing Rents	10	See Key Financial Systems						
Car Parking	5							↔
Capital Programme	Within FA	n/a		n/a			n/a	↔
Budgetary Control	10	n/a						↔
Payroll	10	See Key Financial Systems						

Devolved Departments

	Days as per plan	Separation of Duties	Authorisation	Interfaces & Reconciliations	Management Info	Policies & Procedures	Prior year assurance	Overall Assurance
Oxford City Homes	n/a						n/a	↔
City Works	n/a						n/a	↔

Appendix Four – IA Charter

Oxford City Council
Internal audit charter
2010/11



PRICEWATERHOUSECOOPERS 

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1. Mission and scope of work

The mission of internal audit is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of internal audit is to determine whether the Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the Council's control process.
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately.
- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

2. Accountability

The Chief Internal Auditor, in the discharge of his/her duties, shall be accountable to management and the Audit and Governance Committee to:

Provide annually an assessment on the adequacy and effectiveness of the Council's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

Report significant issues related to the processes for controlling the activities of the Council and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.

Periodically provide information on the status and results of the annual audit plan and the sufficiency of resources.

Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

Whilst the annual internal audit report is a key element of the assurance framework required to inform the Annual Governance Statement (AGS), there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from internal audit will be agreed with the Audit and Governance Committee at the beginning of the year and presented in the annual internal audit plan (and subsequent agreed amendments). As such, the annual internal audit opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities

Internal Audit will agree a set of Performance Indicators with the audit sponsor and report against these on a 6 monthly basis.. An annual review will be performed against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 to ensure compliance. The findings of these assessments will be reported to the Audit and Governance Committee.

3. Independence

To provide for the independence of internal audit, its personnel report to the Chief Internal Auditor, who reports functionally to the Audit and Governance Committee and administratively to the Corporate Director (Finance and Efficiency) in a manner outlined in the above section on Accountability. It will include as part of its reports to the Audit and Governance Committee a regular report on internal audit progress against the internal audit plan. Internal Audit may provide consultancy work to the Council within the scope of the audit plan. The scope of any consultancy work will be set out in a terms of reference. All additional calls for consultancy work will be assessed in line with the PwC Independence Policies.

4. Responsibility

The Chief Internal Auditor and staff of the internal audit team have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit and Governance Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit and Governance Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Audit and Governance Committee and management summarising results of audit activities.
- Keep the Audit and Governance Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit and Governance Committee.
- Assist in the investigation of significant suspected fraudulent activities within the Council in accordance with its anti fraud and corruption procedures and notify management and the Audit and Governance Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Council at a reasonable overall cost.

5. Authority

The Chief Internal Auditor and internal audit staff are authorised to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Audit and Governance Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the Council where they perform audits, as well as other specialised services from within or outside the Council.

The Chief Internal Auditor and internal audit staff are not authorised to:

- Perform any operational duties for the Council or its affiliates.
- Initiate or approve accounting transactions.
- Direct the activities of any Council employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

6. Relationships

The Chief Internal Auditor and internal audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships With Management**

The Chief Internal Auditor and internal audit staff will maintain effective relationships with managers of the Authority. Regular meetings will be held with key stakeholders and management will be consulted with in the audit planning process. Timing of audit work will be in conjunction with management.

- **Relationships With Other Internal Auditors**

Where it is necessary for the Chief Internal Auditor and internal audit staff to work with the internal auditors of another organisation, the roles and responsibilities of each party will be agreed. Appropriate safeguards will be put in place to ensure that third party responsibilities are clearly defined and understood by all concerned.

- **Relationships With External Auditors**

Internal audit and the Audit Commission will establish a working relationship where internal and external audit can rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Regular meetings will be held and plans and reports shared. External audit are consulted as part of the internal audit planning process.

- **Relationships With Other Regulators And Inspectors**


The Chief Internal Auditor and his staff will take account of the results and reports from any inspections when planning and undertaking internal audit work. Where appropriate, the Chief Internal Auditor will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships With Elected Members**

The Chief Internal Auditor will establish a good working relationship with members, in particular with members of the Audit and Governance Committee. The Chief Internal Auditor has the opportunity to meet with the Chair of the Audit and Governance Committee if desired.

7. Standards of audit practice

Internal audit will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors, The Government Internal Audit Standards ("GIAS") and the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006



Chris Dickens - Chief Internal Auditor

Presented to Audit and Governance Committee

November 2010

Appendix Five – Compliance with CIPFA Code

PwC Internal audit service to Oxford City Council – Compliance with the CIPFA code of practice for internal audit in local government in the UK (2006)

Self-assessment at November 2010

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Where 'partial' or 'no', you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Ref	Adherence to standard	Y	P	N	Evidence
1	Scope of Internal Audit				
1.1	Terms of Reference				
1.1.1	Do terms of reference: <ul style="list-style-type: none"> (a) establish the responsibilities and objectives of Internal Audit? (b) establish the organisational independence of Internal Audit? (c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and: <ul style="list-style-type: none"> (i) those charged with governance? (ii) those parties to whom the Head of Internal Audit may report? (d) recognise that Internal Audit's remit extends to the entire control environment of the organisation? 	X			As detailed in IA charter – reviewed and updated November 2010

Ref	Adherence to standard	Y	P	N	Evidence
	(e) identify Internal Audit's contribution to the review of the effectiveness of the control environment? (f) require and enable the Head of Internal Audit to deliver an annual audit opinion? (g) define the role of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)? (h) explain how Internal Audit's resource requirements will be assessed? (i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?				
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	X			Refer to answer above
1.1.3	Have the terms of reference been formally approved by the organisation?	X			Updated Charter being submitted to Audit and Governance Committee November 2010.
1.1.3	Are terms of reference regularly reviewed?	X			Refer to answer above
1.2	Scope of Work				
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	X			Refer to audit plan
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified: (a) how assurance will be sought? (b) agreed access rights where appropriate?	X			Not a partnership but audit plan sets out where IA provide assurance
1.3	Other Work				
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: (a) skills, and (b) resources to do this?	X			Access to PwC resources including forensic

Ref	Adherence to standard	Y	P	N	Evidence
					investigation team.
1.3.2	Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?	X			Reference made within the charter.
1.4	Fraud and Corruption				
1.4.2	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	X			Set out in OCC anti fraud and corruption policy

Ref	Adherence to standard	Y	P	N	Evidence
2	Independence				
2.1	Principles of Independence				
2.1.1	Is Internal Audit: (a) independent of the activities it audits? (b) free from any non-audit (operational) duties?	X X			Outsourced provider – independent of operations
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	X			Independence is maintained. We do not make recommendations or take decisions in such instances.
2.2	Organisational Independence				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	X			Outsourced audit provision totally independent.
2.2.2	Does the Head of Internal Audit have direct access to: (a) officers? (b) members?	X			Set out in contract and demonstrated in practice.
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?	X			Refer to audit reports
2.2.3	(a) Is there an assessment that the budget for Internal Audit is adequate? (b) Does any budget delegated to service areas ensure that: (i) Internal Audit adherence to the Code is not compromised? (ii) the scope of Internal Audit is not affected?	X			See annual IA plan and Audit and Governance Committee approval

Ref	Adherence to standard	Y	P	N	Evidence
	(iii) Internal Audit can continue to provide assurance for the Statement on Internal Control?				
2.3	Status of the Head of Internal Audit				
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	X			Report to Corporate Director
2.5	Independence of Internal Audit Contractors				
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	X			Independence is maintained. PwC has clear policies on independence
2.6	Declaration of Interest				
2.6.1	Do audit staff make formal declarations of interest?	X			On PwC engagement files
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	X			Not arisen but we would address this issue

Ref	Adherence to standard	Y	P	N	Evidence
3	Ethics for Internal Auditors				
3.1	Purpose				
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	X			Through PwC methodology
3.2	Integrity				
3.2.1	Has the internal audit team established an environment of trust and confidence?	X			We believe so – through feedback provided
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	X			PwC Code of conduct and all staff undertake ethics training
3.3	Objectivity				
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	X			
3.3.3	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	X			No situation has arisen but we would avoid any potential conflict
3.3.4	Are staff rotated on regular/annually audited areas?	X			The career progression pathway within PwC means that auditors will progress to more challenging work as they gain experience and knowledge.

Ref	Adherence to standard	Y	P	N	Evidence
3.4	Competence				
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: (a) the organisation's aims, objectives, risks and governance arrangements? (b) the purpose, risks and issues of the service area? (c) the scope of each audit assignment? (d) relevant legislation and other regulatory arrangements that relate to the audit?	X			Built into engagement file and discussed with staff at the commencement of their audits.
3.5	Confidentiality				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	X			PwC Methodology and Code of Conduct

Ref	Adherence to standard	Y	P	N	Evidence
4	Audit Committees				
4.1	Purpose of the Audit Committee				
4.1.1	Does the organisation have an independent audit committee?	X			
4.2	Internal Audit's Relationship with the Audit Committee				
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	X			Includes meeting outside of committee if appropriate
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	X			Audit and Governance Committee minutes
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	X			Audit and Governance Committee minutes
4.2.4	Does the Head of Internal Audit: (a) attend the committee and contribute to its agenda? (b) participate in the committee's review of its own remit and effectiveness? (c) ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives? (d) report on the outcomes of internal audit work to the committee? (e) establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa? (f) present the annual internal audit report to the committee?	X			As above plus training provided to Audit and Governance Committee
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	X			If required

Ref	Adherence to standard	Y	P	N	Evidence
5	Relationships				
5.1	Principles of Good Relationships				
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with: (a) management? (b) other internal auditors? (c) external auditors? (d) other regulators and inspectors? (e) elected members?	X			IA Charter includes reference to relationships. Specific protocol exists between IA and EA
5.2	Relationships with Management				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	X			Regular meetings with key stakeholders
5.2.2	Is the timing of audit work planned in conjunction with management?	X			Refer to audit plan
5.3	Relationships with Other Internal Auditors				
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	X			Subject to appropriate safeguards regarding third party responsibilities
5.4	Relationships with External Auditors				
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?	X			Refer to external audit/internal audit protocol
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	X			Regular meetings

Ref	Adherence to standard	Y	P	N	Evidence
					throughout the year
5.4.3	Are the internal and external audit plans co-ordinated?	X			Plans shared with the Audit Commission
5.5	Relationships with Other Regulators and Inspectors				
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	X			IA Charter includes reference to relationships.
5.6	Relationships with Elected Members				
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?	X			IA Charter includes reference to relationships.
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	X			IA Charter includes reference to relationships.

Ref	Adherence to standard	Y	P	N	Evidence
6	Staffing, Training and Continuing Professional Development				
6.1	Staffing Internal Audit				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	X			Core team are all qualified and experienced
6.1.1	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	X			Access to all PwC resources
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	X			CMIIA qualified and substantial experience
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	X			Over 10 years as Head of Internal Audit
6.1.3	(a) Do all internal audit staff have up-to-date job descriptions? (b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	X			Within PwC capabilities framework
6.2	Training and Continuing Professional Development				
6.2.1	(a) Has the Head of Internal Audit defined the skills and competencies for each level of auditor? (b) Are individual auditors periodically assessed against these predetermined skills and competencies? (c) Are training or development needs identified and included in an appropriate ongoing development programme? (d) Is the development programme recorded, regularly reviewed and monitored.	X			Through PwC systems
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	X			As above

Ref	Adherence to standard	Y	P	N	Evidence
7	Audit Strategy and Planning				
7.1	Audit Strategy				
7.1.1	(a) Is there an internal audit strategy for delivering the service? (b) Is it kept up to date with the organisation and its changing priorities?	X			Audit Charter in place
7.1.2	Does the strategy include: (a) Internal Audit objectives and outcomes? (b) how the Head of Internal Audit will form and evidence his or her opinion on the control environment? (c) how Internal Audit's work will identify and address local and national issues and risks? (d) how the service will be provided, ie internally, externally, or a mix of the two? (e) the resources and skills required to deliver the strategy?	X			See audit plan
7.1.3	Has the strategy been approved by the audit committee?	X			See Audit and Governance Committee minutes
7.2	Audit Planning				
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	X			Refer to audit plan
7.2.1	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	X			Refer to audit plan
7.2.1	Are stakeholders consulted on the audit plan?	X			Refer to audit plan
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	X			Refer to audit plan
7.2.3	Does the plan: (a) cover a fixed period of no longer than one year? (b) outline the assignments to be carried out? (c) prioritise assignments? (d) estimate the resources required?	X X X X			Refer to audit plan

Ref	Adherence to standard	Y	P	N	Evidence
	(e) differentiate between assurance and other work?	X			
	(f) allow a degree of flexibility?	X			
7.2.4	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?				Not applicable
7.2.4	Has the plan been approved by the audit committee?	X			See minutes
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	X			Any amendments are reported to the Audit and Governance Committee

Ref	Adherence to standard	Y	P	N	Evidence
8	Undertaking Audit Work				
8.1	Planning				
8.1.1	(a) Is a brief prepared for each audit? (b) Is the brief discussed and agreed with the relevant managers?	X			Terms of reference produced and agreed in advance of audit commencement
8.1.1	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	X			See Terms of reference
8.2	Approach				
8.2.1	Is a risk-based audit approach used?	X			See audit plan
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	X			We operate a 'no surprises' approach.
8.2.4	Does the audit approach include a quality review process for each audit?	X			PwC methodology
8.3	Recording Audit Assignments				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	X			PwC methodology and working papers
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	X			PwC quality reviews.
8.3.2	Are working papers such that an experienced auditor can easily: (a) identify the work that has been performed? (b) re-perform it if necessary? (c) see how the work supports the conclusions reached?	X X			PwC methodology includes documentation and re-performance

Ref	Adherence to standard	Y	P	N	Evidence
					standards
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	X			PwC protocols for archiving of files
8.3.3	Do all retention and access policies conform to appropriate legislation, ie Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	X			Methodology complies with legislation
8.3.3	Is there an access policy for audit files and records?	X			Procedures exist to provide access to third parties when appropriate to do so.

Ref	Adherence to standard	Y	P	N	Evidence
9	Due Professional Care				
9.2	Responsibilities of the Individual Auditor				
9.2.1	<p>Are there documents that set out the requirements on all audit staff in terms of:</p> <p>(a) being fair and not allowing prejudice or bias to override objectivity?</p> <p>(b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict?</p> <p>(c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?</p> <p>(d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?</p> <p>(e) being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest?</p> <p>(f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?</p> <p>(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>(h) disclosing any non-compliance with these standards?</p> <p>(i) not using information they gain in the course of their duties for personal use?</p>	X			PwC ethics training and code of conduct
9.3	Responsibilities of the Head of Internal Audit				
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	X			PwC methodology
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?		X		Not explicit but expected through PwC procedures and code of conduct

Ref	Adherence to standard	Y	P	N	Evidence
10	Reporting				
10.1	Principles of Reporting				
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	X			Refer to audit reports
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	X			PwC methodology
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	X			PwC methodology
10.1.5	Are there laid-down timescales for reports to be issued?	X			Protocol for reporting in place
10.2	Reporting on Audit Work				
10.1.4	Do the reporting standards include:	X			PwC methodology
10.1.4	(a) format of the reports?				
10.1.4	(b) quality assurance of reports?				
10.2.2	(c) the need to state the scope and purpose of the audit?				
10.2.1	(d) the requirement to give an opinion?				
10.1.4	(e) process for agreeing reports with the recipient?				
10.2.1	(f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?				
10.2.3	Does the audit reporting process include discussion and agreement of reports?	X			See reports
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	X			See reports
10.2.5	Are areas of disagreement recorded appropriately?	X			See reports
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	X			See reports
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	X			See reports
10.2.6	(a) Does the reporting process include details of circulation of that particular audit report?	X			See reports
	(b) Is this included in the brief for each individual audit?				

Ref	Adherence to standard	Y	P	N	Evidence
10.2.7	Does the Head of Internal Audit have mechanisms in place to ensure that: (a) recommendations that have a wider impact are reported to the appropriate forums? (b) risk registers are updated?		X		See reports It is managements responsibility to update risk registers
10.3	Follow-up Audits and Reporting				
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	X			Reports state follow-up requirements. Follow-up work undertaken as part of audit plan.
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	X			Re-reported to Audit and Governance Committee.
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	X			Failure to address prior audit recommendations is reported and has impacted on our opinions.
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	X			Highlighted in annual report.
10.4	Annual Reporting and Presentation of Audit Opinion				
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	X			See annual report
10.4.2	Does the Head of Internal Audit's annual report: (a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment? (b) disclose any qualifications to that opinion, together with the reasons for the qualification? (c) present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?	X X X			Refer to annual report. Performance metrics continually under review

Ref	Adherence to standard	Y	P	N	Evidence
	(d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control? (e) compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets? (f) comment on compliance with the standards of the Code? (g) communicate the results of the internal audit quality assurance programme?	X X X X			
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	X			Regular progress reports provided to Corporate Director and Audit and Governance Committee

Ref	Adherence to standard	Y	P	N	Evidence
11	Performance, Quality and Effectiveness				
11.1	Principles of Performance, Quality and Effectiveness				
11.1.1	Is there an audit manual?	X			PwC Internal Audit Manual
11.1.1	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	X			Doesn't specifically refer to the Code as it is generic across all sectors. Does specify compliance with relevant standards.
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	X			Last reviewed 2009. New global methodology roll out planned for 2011.
11.1.2	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: (a) each individual audit? (b) the internal audit service as a whole?	X			Subject to PwC internal quality review arrangements
11.2	Quality Assurance of Audit Work				
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	X			
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audit?	X			PwC methodology
11.2.2	Does the supervisory process cover: a) monitoring progress? b) assessing quality of audit work? c) coaching staff?	X			PwC methodology

Ref	Adherence to standard	Y	P	N	Evidence
11.3	Performance and Effectiveness of the Internal Audit Service				
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	X			PwC quality arrangements
11.3.2	Does the performance management and quality assurance framework include as a minimum: a) a comprehensive set of targets to measure performance: (i) which are developed in consultation with appropriate parties? (ii) which are included in service level agreements, where appropriate? (iii) against which the Head of Internal Audit measures, monitors and reports appropriately on progress? b) user feedback obtained for each individual audit and periodically for the whole service? c) a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy? d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual? e) an action plan to implement improvements?	X			Part of PwC procedures Individual and team objectives Internal quality review process
11.3.3	Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	X			Client satisfaction surveys are used and performance indicators agreed with the authority.
11.3.1	Do the results of the performance management and quality assurance programme evidence that the internal audit service is: a) meeting its aims and objectives? b) compliant with the Code? c) meeting internal quality standards? d) effective, efficient, continuously improving? e) adding value and assisting the organisation in achieving its objectives?	X			Through progress and annual reporting. Internal PwC quality review process confirmed compliance.
11.3.4	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	X			Now annual review against CIPFA Code
11.3.5	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of	X			Now annual review against CIPFA Code

Ref	Adherence to standard	Y	P	N	Evidence
	internal audit?				

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